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United States  
Department of Defense



Project to Repair Nutrition Care Division at Fort  
Carson, Colorado, Generally Complied with the  
American Recovery and Reinvestment Act

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## Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
FSRM	Facilities Sustainment, Restoration, & Modernization
OMB	Office of Management and Budget
QMAD	Quantitative Methods and Analysis Division
USACE	U.S. Army Corps of Engineers

July 22, 2011

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH  
AFFAIRS)  
COMMANDING GENERAL, U.S. ARMY CORPS OF  
ENGINEERS  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Project to Repair Nutrition Care Division at Fort Carson, Colorado,  
Generally Complied With the American Recovery and Reinvestment Act  
(Report No. D-2011-065)

We reviewed the planning, funding, initial execution, and tracking and reporting phases of the Repair Nutrition Care Division project, valued at \$11.55 million. Specifically, we determined whether personnel at Fort Carson, Colorado, and the U.S. Army Corps of Engineers (USACE) Engineering and Support Center in Huntsville, Alabama, complied with Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” (Recovery Act), February 17, 2009, Office of Management and Budget Memorandum (OMB) M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009; and subsequent related guidance. The project will renovate the kitchen and dining areas (including the repair of ceilings, floors and walls, doors and hardware, mechanical, plumbing, and electrical systems) in the Nutritional Care Division.

Fort Carson’s Facilities Management Branch personnel appropriately documented the requirement for the Repair Nutritional Care Division project; however, they and USACE, Huntsville Center personnel could not provide documentation supporting the estimated project cost. But, the risk of the unsupported cost estimate was mitigated by competing the task order on a firm-fixed-price basis. USACE, Huntsville Center personnel received Recovery Act funds in a manner consistent with OMB’s guidance. Additionally, USACE, Huntsville Center personnel ensured that contracting actions for the project met the Recovery Act’s requirements and had procedures to track the reporting of project information.

## **Planning Generally Adequate**

Facilities Management Branch personnel appropriately documented the requirement for the Repair Nutritional Care Division project. Facilities Management Branch personnel provided planning documents stating that Evans Army Community Hospital, Fort Carson, was constructed in 1986. The planning documents revealed that there were no significant repairs/renovations to the hospital since its construction. The documents stated that if the Repair Nutrition Care Division project is not completed, the buildings systems will continue to deteriorate and will eventually fail to support the nutrition care operations, resulting in a negative impact on the mission at Evans Army Community Hospital. We reviewed documents supporting the project’s requirements and toured the dining facility to inspect areas identified for repairs/renovations. Based on our review of the planning

documents and our onsite observations, we determined that the Repair Nutrition Care Division project is a valid requirement and supports the health care needs of the beneficiary population at Fort Carson.

Although the requirements were appropriately documented, Facilities Management Branch and USACE, Huntsville Center personnel could not provide documentation supporting the estimated project cost. The “American Recovery and Reinvestment Act of 2009, Department of Defense Facilities Sustainment, Restoration, & Modernization (FSRM) Program Plan,” May 15, 2009, included an estimated cost of \$11.55 million for the Repair Nutrition Care Division project. Facilities Management Branch personnel provided a DD Form 1391, “Military Construction Project Data,” approved on April 3, 2009, as support for the project estimate. Although the DD Form 1391 helped support the requirement for the project, the cost estimates totaling \$13.6 million did not agree with the \$11.55 million listed in the FSRM Program Plan. Facilities Management Branch personnel explained that support for the \$11.55 million cost estimate was based on budgetary cost estimates developed under a design contract that covered multiple hospital projects. Global Engineering & Construction, LLC, personnel completed the design contract before the Recovery Act; however, the Facilities Management Branch personnel could not provide a copy of the budgetary cost estimates. Also, personnel at the USACE, Huntsville Center, the center that administered the design contract, could not provide the cost estimates. As a result, we could not validate the project cost estimate included in the FSRM Program Plan.

Subsequent to the issuance of the FSRM Program Plan, but before contract actions. USACE, Huntsville Center personnel developed an independent government estimate of about \$7.6 million. According to FAR clause 15.305-1, competition normally establishes price reasonableness, and when contracting on a firm-fixed-price basis occurs, the proposed prices usually satisfy the requirement to perform a price analysis. The solicitation for the project was open to the four contractors with existing multiple award task order contracts, and each submitted a firm-fixed-price proposal. Because multiple proposals were submitted and competition can establish price reasonableness, we believe the risk associated with the lack of supporting documentation for the cost estimate in the FSRM Program Plan was mitigated.

## **Funds Distributed Timely**

Headquarters, USACE personnel distributed Recovery Act Funds to USACE, Huntsville Center in a timely manner, and the funding authorization documents correctly included a Recovery Act designation consistent with OMB’s guidance. Headquarters, USACE personnel transferred \$48,356,000 of Recovery Act funds to USACE, Huntsville Center on May 26, 2009. Headquarters, USACE personnel designated \$11,550,000 of these funds for the Repair Nutrition Care Division project. The cost of this project was \$9,696,518, including contracting costs of \$9,255,853 and contingency costs of \$440,665. The bid savings amount of \$1,853,482 (\$11,550,000 minus \$9,696,518) was reprogrammed to Project No.44, “Modernize Gentry Clinic” at Fort Leavenworth, Kansas, in the amount of \$1,124,163 and to Project No. 46, “Modernize Medical Laboratory” at Fort Leavenworth, Kansas, in the amount of \$729,319. The use of the bid

savings is in accordance with May 7, 2009, guidance<sup>1</sup> from the Under Secretary of Defense (Comptroller), which states that the Components should apply their management discretion to use bid savings for offsetting the cost growth in other projects regardless of location.

## **Initial Execution Adequate**

USACE, Huntsville Center personnel adequately performed the initial execution of the project. In our evaluation of initial execution, we determined that USACE, Huntsville Center personnel competitively solicited and awarded the task order and that it contained the required FAR clauses for Recovery Act contract actions. USACE, Huntsville Center contracting personnel awarded a firm-fixed task order, valued at \$9.3 million, on September 15, 2009. USACE, Huntsville Center personnel determined that John J. Kirlin Special Projects, LLC, provided the best value, and the contractor's price proposal was fair and reasonable. We reviewed the Central Contractor Registration Web site and determined that John J. Kirlin Special Projects, LLC, is a registered contractor. We also reviewed the Excluded Parties List System Web page and determined the contractor was not listed as an excluded party.

USACE, Huntsville Center personnel properly recorded contract actions to meet the Recovery Act's reporting requirements. The OMB Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," April 3, 2009, requires the reporting of Recovery Act-funded actions into the Federal Procurement Data System and the public announcement of these actions on the Federal Business Opportunities Web site. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the pre-solicitation and task order award on the Federal Business Opportunities Web site. Additionally, USACE, Huntsville Center contracting personnel included all applicable FAR clauses required by Recovery Act implementation guidance, including those for whistleblower protection reporting, the Davis Bacon Act, and the Buy American Act.

## **Contractor Reported Required Information**

The contractor, John J. Kirlin Special Projects, LLC, reported the recipient information required by the Recovery Act. For the second quarter of FY 2010, the contractor reported the number of jobs created and total dollar value of the project to [www.federalreporting.gov](http://www.federalreporting.gov) as required by FAR clause 52.204-11, "American Recovery and Reinvestment Act—Reporting Requirements." We validated that the contractor-reported data was available for public viewing at [www.recovery.gov](http://www.recovery.gov).

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<sup>1</sup> Office of the Under Secretary of Defense (Comptroller) Memorandum, "Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments," May 7, 2009.



## **Review of Internal Controls**

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. Controls over the Recovery Act project were generally adequate. We will provide a copy of the memorandum to the senior official in charge of internal controls for Headquarters, USACE.

## **Audit Standards**

We conducted this audit from October 2009 through May 2011 in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

## **Audit Methodology**

We audited the planning, funding, initial execution, and tracking and reporting of the Repair Nutrition Care Division project at Fort Carson. We interviewed personnel from Great Plains Regional Medical Command; Office of the Chief Financial Officer–TRICARE Management Activity; USACE, Huntsville Center; and the Facilities Management Branch, Fort Carson. We reviewed project requirement and construction documentation, including the contract files and the DD Form 1391. We performed onsite inspections of the project location to verify project justification. We reviewed Federal, DoD, and Army guidance. Although we determined that the contractor complied with FAR clause 52.204-11, we did not validate the data that the contractor reported to the [www.Recovery.gov](http://www.Recovery.gov) Web site, at this time. We plan to address the adequacy of recipient reporting in a future DoD Office of Inspector General report.

## **Use of Computer-Processed Data**

We used computer-processed data from the Federal Procurement Data System, Central Contractor Registration, Excluded Parties List System, and Federal Business Opportunities. We also relied on Excel spreadsheets and computer processed cost estimates created by Army personnel. We compared data generated by each system with the appropriate DoD expenditure plans, funding authorization documents, or project and contracting documentation to support the audit conclusions. We determined that the data were sufficiently reliable for the purposes of our report.

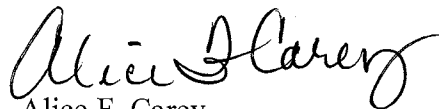
## Use of Technical Assistance

Before selecting DoD Recovery Act project for audit, the Quantitative Methods and Analysis Division (QMAD) of the DoD Office of Inspector General analyzed all DoD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMAD selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. QMAD used information collected from all projects to update and improve the risk assessment model. Initially, QMAD selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations. The Repair Nutritional Care Division project is included in the 83 selected projects.

QMAD did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by the USACE.

## Prior Audit Coverage

The Government Accountability Office, the DoD Office of Inspector General, and the Military Departments have issued reports and memoranda discussing DoD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.



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Readiness, Operations, and Support





# Inspector General Department of Defense

